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# BRITISH SUBSIDIES AND AMERICAN SHIPPING.

BY CHARLES H. CRAMP.

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IN the NORTH AMERICAN REVIEW for July, 1902, I published an article entitled "The Steamship Merger and American Ship-building." In the course of that paper, rather incidentally than primarily, I mentioned the fact that, in the competition between Great Britain and the United States in the ocean carrying trade, there had been three distinct epochs. The first was when the British Government subsidized Samuel Cunard and enabled him to found the great Transatlantic line which bears his name. This was done to combat and destroy the American Collins Line.

The second epoch was in 1871-1872, when the old American Line, composed of the "Pennsylvania," "Ohio," "Indiana" and "Illinois," was put afloat. The British Government met this renewed effort on our part by the increase of subsidies for mail-carrying in its own ships, and also by what is known as the "naval subvention," that is to say, the paying of a retainer to certain classes of ships for readiness to be converted into auxiliary naval vessels.

The third epoch was the formation of what is commonly known as the Morgan Steamship Merger, which has now been brought into practical working shape.

This is a brief description of the three distinct eras of competition, without going into any detail whatever.

The old adage that "history repeats itself" was never more perfectly verified than it has been in the recent outcome or effect of the causes operating in the third and last epoch. The newspapers of England and America for the last few days have been replete with discussion of the action of the British Government explained in the speech of Mr. Gerald Balfour. This action was the re-subsidizing of the Cunard Line, in order to keep it out of

the hands of the so-called Morgan Merger and to retain it under purely British control and capitalization.

The curious coincidence is that, fifty years ago, the British Government used the Cunard Line to destroy the American Collins Line. Thirty years ago, it used the Cunard Line to destroy the old American Line. And now it is using the Cunard Line to meet and combat the new American Merger. In each case, the effort of the British Government to protect its shipping interests has taken the form of an increased subsidy; and, in each case it has selected the Cunard Line as the principal object of assistance.

It is not worth while to go into the details of the discussion evoked in England by Mr. Balfour's announcement of a special subsidy of three-quarters of a million a year to the Cunard Line, in addition to its regular mail pay. Suffice it to say that the dissent from the action so announced, although noisy, has not been formidable and is hardly considered respectable.

The special subsidy announced by Mr. Balfour is the outcome of the action taken at the annual meeting of the London Chamber of Commerce on May 28th last, to which I refer on pages 12 and 13 of the *NORTH AMERICAN REVIEW* for July last. The President of the London Chamber of Commerce is Lord Brassey, and in the course of his speech he declared that a more liberal subsidiary policy must be adopted by the Government, on account of the American Merger and the great progress of German ship-building and ship-owning.

In the session of the House of Commons the same night the question was brought up and debated, on a motion for the re-appointment of the Committee on Ship Subsidies. This discussion resulted in enlarging the scope of the Committee's powers, and there was a general assent to the proposition that an important increase of subsidies for mail-carrying and for other purposes was imperative. As I have said, the new special subsidy to the Cunard Line is the outgrowth or result of this action and its discussion.

For years and years, we have been accustomed to hear it declared by a certain class of statesmen (so called) on the floors of Congress, and by editors in a certain class of newspapers, that Great Britain did not pay any subsidies for the maintenance or promotion of her merchant marine; and, whenever Americans

have advocated that kind of policy towards American shipping, they have been denounced as "treasury grabbers" and "subsidy beggars." But now let us hope that no American statesman or politician or editor will be sufficiently simian to repeat that stale falsehood.

The real fact is, that Great Britain is and always has been the greatest subsidizer in the world; and it is also true that her policy in that direction is and has been the principal cause of the supremacy in the ocean carrying trade which, in the general average, she has maintained since 1860. Whether she will prevail in the new competition that confronts her, as against Germany on the one hand and the United States on the other, is a question to be settled by events; but one thing is certain,—that she will exhaust the power of public aid and subvention to recover the ground that she has lost.

The really significant, or rather the most significant, fact connected with this special subsidy to the Cunard Line is intimated in that part of Lord Brassey's speech already referred to, in which he said that the British ship-builders must look to their laurels in the construction of ocean steamships of the type of the Hamburg-American liner "*Deutschland*," and he based his argument in favor of increased subsidies upon that contention.

In this connection, it is necessary to quote clauses one, two, three, four, five, six, seven and eight of the agreement entered into between the Cunard Steamship Company and the British Government, September 30th, 1902; they are as follows:

"1. The Cunard Company are to build two large steamers for the Atlantic trade, of high speed.

"2. The agreement is to remain in force for twenty years from the completion of the second of these vessels.

"3. The Cunard Company pledges itself, until the expiry of the agreement, to remain a purely British undertaking, and that under no circumstances shall the management of the Company be in the hands of, or the shares or the vessels of the Company held by, other than British subjects.

"4. During the currency of the agreement, the Cunard Company is to hold at the disposal of the Government the whole of its fleet, including the two new vessels, and all other vessels as built, the Government being at liberty to charter or purchase all or any such vessels at agreed rates.

"5. The Cunard Company also undertakes not to unduly raise freights, nor to give any preferential rates to foreigners.

"6. The Government are to lend the money for the construction of the two new vessels, charging interest at two and three-quarters per cent. per annum. The security for the loan is to be a first charge on the two new vessels, the present fleet, and the general assets of the Cunard Company.

"7. The Cunard Company is to repay the loan by annual payments extending over twenty years.

"8. From the time the new vessels commence to run, the Government are to pay the Cunard Company at the rate of one hundred and fifty thousand pounds (£150,000) per annum, instead of the present Admiralty subvention."

The two new vessels which the Cunard Company undertakes to build with the money loaned by the British Government, are estimated to cost five million dollars each, or ten million dollars altogether, and they are expected to surpass in speed and other qualities any other vessels afloat.

It will be noted that the term of the agreement is twenty years, and that the subvention of \$750,000 a year is, practically, interest on the \$10,000,000 at the rate of seven and one-half per cent. It will be noted further that in the agreement the British Government, under clause six, in loaning to the Cunard Company the money necessary to build these ships, requires interest thereon at the rate of two and three-quarters per cent. per annum. That leaves four and three-quarters per cent. of the subvention per annum to inure to the benefit and use of the Cunard Company. As the term is twenty years, it will be seen that this net surplus of four and three-quarters per cent. per annum will come very near paying the first cost of the ships during the twenty years. Doubtless, it is assumed that the Company will make some profit of its own in the operation of these ships. But the surplus of four and three-quarters per cent., which the Government provides in its subsidy for a period of twenty years, would come within half a million dollars of paying the total estimated cost.

It may be that the ships can be built for nine and a half millions; if that should be the case, then the surplus of the subsidy allowed by the Government would be the full first cost of the two ships in the twenty years of the agreement.

This method is the traditional method of the British Government in such cases. It is a repetition of the arrangement which they made with Samuel Cunard at the time when he was aided for the purpose of crushing the Collins Line in the early fifties.

As I point out on page seven of the *NORTH AMERICAN REVIEW* for July, the British Government increased Mr. Cunard's subsidy to an extent that enabled him to add to the fleet of four ships he already possessed at the rate of another and better ship each year, and this policy was maintained until the Collins Line was destroyed. After that the British Government continued to subsidize the Cunard Line liberally, but not to so great an extent as it had done while the Collins Line was in existence.

Another instance of the same character occurred in connection with what is known as the Empress Line plying between Vancouver, or the Western terminus of the Canadian Pacific Railroad, and the Orient. When this line was created, three ships were built; and the British and Canadian Governments joined hands to provide an annual subsidy equal to ten per cent. upon the first cost of the ships, and the term of that subsidy was made ten years. The British Government pretended that the object of putting this line on, was as much military as commercial. But, as a matter of fact, the Empress Line was put on mainly with a view of destroying or at least crippling the American Pacific Mail.

Now, in this new special subsidy to the Cunard Line, the same policy is being repeated; but in this case there is no subterfuge, no pretext. It was openly avowed by Mr. Gerald Balfour in his speech that the decision in Council to give this special subsidy to the Cunard Line was made in order:

First, to prevent that Line from becoming a part of the American or Morgan Merger:

Second, to keep it under purely British control and capitalization; and

Third, to enable it to build ships capable of equalling, if not surpassing, the highest types of ships which had been produced in Germany, and which were being operated under the German flag.

In other words, this special Cunard subsidy of three quarters of a million a year is the practical expression of the apprehension of the British Government, and of its determination to use its resources for the purpose of habilitating its merchant marine, which had, as I pointed out on pages 11 and 12 of the *NORTH AMERICAN REVIEW* for July, fallen behind on account of supineness and self complacency.

The logical deduction which our Government ought to draw from these facts, which are notorious and beyond dispute, I leave to be judged by the intelligent reader.

Three times in history, our merchant marine has gone to the wall through the persistent refusal of our Government to meet the conditions which the policy of the British Government imposed upon the competition. And I will add here that all the arguments that have been made in favor of the shipping bill now pending in Congress put together, are not half as cogent as the fact of the British Government's action at this juncture.

In fact, this new subsidy to the Cunard Line is the most tremendous effort of that kind ever put forth by the British Government. By its terms the British Treasury lends to the Cunard Company money enough to build two of the largest, fastest and costliest passenger ships in the world. It lends at two and three-quarters per cent. per annum interest, and it requires repayment of the loan in twenty years; but, at the same time, it gives the Cunard Line a *subsidy* sufficient to repay the loan in twenty annual instalments.

This is a somewhat round-about way of making the Cunard Company a present of two of the best ships in the world. Doubtless, if any American ship-owner or ship-builder should propose a subsidy of that nature to our Congress, there would be among our free-ship statesmen an epidemic of nervous prostration.

CHARLES H. CRAMP.